**IIEC Exhibit 2.1**

**STATE OF ILLINOIS**

**ILLINOIS COMMERCE COMMISSION**

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| **Illinois Power Company** | ) | |
| | ) | **Docket No. 04-0476** |
| **Proposed General Increase in** | ) | |
| **Natural Gas Rates** | ) | |

Rebuttal Testimony and Schedules of

**Dr. Alan Rosenberg**

On Behalf of

**Illinois Industrial Energy Consumers**

December 28, 2004
Project 8264

BRUBAKER & ASSOCIATES, INC.
ST. LOUIS, MO 63141-2000

**STATE OF ILLINOIS**

**ILLINOIS COMMERCE COMMISSION**

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| **Illinois Power Company** | **)** | |
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| **natural gas rates.** | **)** | |

# Rebuttal Testimony of Alan Rosenberg

**Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A My name is Dr. Alan Rosenberg. My business address is 1215 Fern Ridge Parkway, Suite 208; St. Louis, Missouri 63141-2000.

**Q ARE YOU THE SAME ALAN ROSENBERG WHO HAS PREVIOUSLY FILED DIRECT TESTIMONY IN THIS PROCEEDING?**

A Yes.

**Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

A I am appearing on behalf of the Illinois Industrial Energy Consumers (IIEC). The members of IIEC are large industrial customers who transport natural gas on the Illinois Power Company (Company or IP) system.

**Q WHAT IS THE SUBJECT MATTER OF YOUR REBUTTAL TESTIMONY?**

A I will respond to the certain conclusions and recommendations of Staff witness Lazare on cost of service issues, particularly his proposed Transmission and

Distribution (T&D) allocation methodology. I will also have surrebuttal testimony to the allegations of IP witnesses Althoff and Blackburn.

## Witness Peter Lazare

**Q WHAT IS THE MAIN POINT OF STAFF WITNESS LAZARE ON THE SUBJECT OF T&D ALLOCATION?**

A Mr. Lazare opposes the use of the Average and Excess (A&E) methodology proposed by IP to allocate T&D costs.

**Q DOES MR. LAZARE PROPOSE AN ALTERNATIVE ALLOCATION METHOD?**

A Yes. Mr. Lazare proposes to use Average and Peak (A&P) methodology to allocate T&D costs.

**Q WHAT ARE THE SPECIFIC PROBLEMS THAT MR. LAZARE IDENTIFIES WITH THE USE OF THE A&E METHODOLOGY?**

A First, Mr. Lazare objects to the A&E method's reliance on non-coincident peak demands to allocate the excess component of the rate. He maintains that the use of the non-coincident peak fails to account for the key driving factor in the construction of the T&D system, which is the need to meet peak demands, thus creating a mismatch between cost causation and cost allocation.

**Q DO YOU AGREE WITH MR. LAZARE'S FIRST OBJECTION?**

A I agree that the system as a whole must be designed to meet the peak demand on any given day. However, as I understand Company witness Althoff, the Company also considers non-coincident peak demand in the design of its system. Furthermore, I would note that:

- The A&E method does consider the coincident peak in its formula. The system excess (as opposed to the class excess) is calculated in reference to the coincident peak.

- The ICC has approved the A&E method for IP in the past.

Consequently, if the Commission were to find any merit in Mr. Lazare's first objection (or fault in the Company's reliance on the non-coincident demands), the proper response would be to adopt the coincident peak method. I might also point out that, with the exception of a few atypical classes (like grain drying or other off-peak users), the difference between the A&E results and a coincident peak method would be inconsequential.

**Q DOES MR. LAZARE HAVE ANY FURTHER OBJECTIONS TO THE A&E METHOD?**

A Yes. Mr. Lazare finds problematic the use of the difference between the peak and average demands to allocate costs rather than the peak demand alone. He argues that costs are driven primarily by peak demand, not the excess of peak demand over average demand.

**Q DO YOU AGREE WITH MR. LAZARE'S SECOND OBJECTION?**

A No. This objection betokens a misunderstanding of the theoretical formulation of the A&E method. The theory is that because the peak is bigger than the average, the actual system must be sized larger than a system designed to only meet the average demand. Thus, the A&E approaches cost allocation in two steps:

Step 1: Allocate responsibility for a system designed to only meet average demand.

Step 2: Allocate responsibility for the extra (or incremental) cost of this larger system because classes do exceed their average demand (unless the class is at a 100% load factor).

**Q WHAT IS MR. LAZARE'S THIRD AND FINAL OBJECTION TO THE A&E METHOD?**

A He states that "because the contribution of average demand is already included in the Average component of the A&E methodology, it is illogical and unreasonable to develop an Excess component that again accounts for average demand."

**Q DO YOU AGREE WITH MR. LAZARE'S LAST OBJECTION?**

A No. Mr. Lazare has it backward. He faults the A&E method for a problem that is peculiar to the A&P method. I agree that one of the primary concerns in developing a two-part allocator is to ensure that costs are not double counted. The advantage of the A&E methodology over Mr. Lazare's A&P methodology is precisely the fact that by using only the excess component of the full demand the A&E method avoids double counting the average demand. It is the A&P methodology that fails to account for the fact that the average demand is necessarily a component of the full demand and, hence, double counts the average demand.

**Q PLEASE PROVIDE AN EXAMPLE OF HOW THIS DOUBLE COUNTING OCCURS.**

A I have included an illustration in **Schedule 1** that clearly shows how the A&P methodology double counts the average demand, whereas the excess component of the A&E methodology ensures that the average demand is not double counted. The illustration in this Schedule represents a theoretical main that has been designed to exactly meet peak demand. Once the average demand has been accounted for in developing an allocation factor, the use of peak demand clearly recounts the average demand. Conversely, the excess demand only counts that portion of the capacity which has not already been accounted for by the average demand.

**Q WHAT ARE THE IMPLICATIONS OF THIS FLAW IN THE A&P METHODOLOGY?**

A This double counting of the average demand accounts for some highly illogical results produced by the A&P methodology. Most notably, the A&P methodology would impute a demand on certain classes in excess of the total peak demand of the class. The attached **Schedule 2** shows the calculation of the A&P allocation factors for various types of hypothetical customers. In this case, the average demand is 50% of the coincident peak demand. Consequently, 50% of the A&P allocation factor will be determined based upon the average demand, and the other 50% will be based on the coincident peak demand. In this example, the 100% load factor class's average demand is 10% of the total system average demand (100 / 1,000 = 10%), and this class accounts for 5% of the coincident peak demand ( 100 / 2,000 = 5% ). Given the 50/50 weight between average demand and peak demand, the A&P allocation factor for this class would be 7.5% ( (10% X 50%) + (5% X 50%) ). This results in an imputed demand for this class of 150 ( 2,000 X 7.5% ). Any allocation methodology that would impute a demand to a particular class that is well in excess of their actual non-coincident peak is clearly flawed.

**Q DOES THE A&E METHOD AVOID THIS ILLOGICAL RESULT?**

A Yes. **Schedule 2** also contains a calculation of the imputed demand based upon the A&E method. As indicated in this Schedule, the A&E method does not impute a demand for any class in excess of a class's non-coincident peak, whereas the A&P method does so for two of the five classes.

**Q BESIDES BEING FLAWED IN THEORY, ARE THERE ANY OTHER REASONS WHY THE ICC SHOULD REJECT THE A&P METHOD IN THE CURRENT PROCEEDING?**

A Yes. I have already shown in my direct testimony in this proceeding that the A&E method severely overallocates costs to IP's largest customers. However, IP's largest customers also have higher than average load factors, which is precisely the type of customers that the method advocated by Mr. Lazare penalizes. Thus, the A&P method would exacerbate what is already a problem with the Company study – it would allocate more cost to customers that are already allocated costs in excess of that demonstrably attributable to their service. If the Commission continues to use a two-part methodology to allocate T&D costs, it should reaffirm the A&E methodology as the only approach that logically matches cost with cost causation.

**Q DOES THE A&P METHOD PRESUME THAT AN INCREASE IN ANNUAL THROUGHPUT, WITHOUT AN INCREASE IN PEAK DAY DEMAND, WILL RESULT IN AN INCREASE IN COST OF MAINS?**

A Yes. The A&P method is nothing more or less than a weighted average of two allocation factors, annual throughput and coincident demand, and consequently will allocate more cost based solely on additional throughput, even with no increase in peak day demand.

**Q DOES AN INCREASE IN ANNUAL THROUGHPUT, WITHOUT AN INCREASE IN PEAK DAY DEMAND, CAUSE IP TO BUILD, DESIGN, OR INSTALL MORE MAIN?**

A The obvious answer is no. A main must be sized to accommodate the maximum capacity that the main is expected to serve. Obviously, a main that can

accommodate a peak demand can also, without extra cost, accommodate an average demand.

**Q DOES MR. LAZARE BELIEVE THAT AN INCREASE IN ANNUAL THROUGHPUT, WITHOUT AN INCREASE IN PEAK DAY DEMAND, CAUSE IP TO BUILD, DESIGN, OR INSTALL MORE MAIN?**

A Apparently he does, although his only basis for this belief is that IP will provide free line extensions to individual customers up to 1.5 times estimated annual revenue.

**Q DOES THAT OBSERVATION JUSTIFY THE A&P METHOD?**

A No. First, revenue is not the same as throughput. Mr. Lazare could have easily calculated an A&P method using revenue instead of throughput, but he did not. Secondly, once the customer reaches the 1.5 threshold, any additional revenue (or usage) is irrelevant. The A&P method, by contrast, ignores any such limit. Under the A&P method, all throughput is included in the allocation process and increases cost responsibility. Thus, if Mr. Lazar wishes to rely on this 1.5 rule to justify the A&P method, his reliance is misplaced (even assuming throughput was a surrogate for revenue). Third, if the utility were guaranteed a minimum bill, it would put in the main (or any other equipment for that matter) without a single therm of throughput. Fourth, one could take that same logic and say that were it not for having a customer, the utility would not extend any main, and so we should allocate mains partly on the number of customers. Staff, however, has rejected such arguments in the past. To be consistent, it must also reject the A&P method.

**Q HAS MR. LAZARE PERFORMED ANY ESTIMATE OF HOW HIS PROPOSED REVENUE INCREASES IN TRANSPORTATION RATES WILL IMPACT IP'S ABILITY TO ATTRACT AND RETAIN INDUSTRIAL LOAD?**

A According to the Staff's responses to IIEC 1-4, he has not. I, however, have examined that aspect. If the A&P method were adopted, the impact on the Large Volume Transportation Rate, where the predominance of industrial load is used, would go from an increase of 14.3% (under the A&E method) to 26.2%, or almost double the increase.

**Q DOES THE USE OF THE A&P METHOD PROVIDE A SIGNIFICANT BENEFIT TO ANY OTHER RATE CLASSES?**

A No. I have included as **Schedule 3** a comparison of the proposed increase using both the A&P and A&E methods. The use of the A&P method, while resulting in significant increases for Large Volume customers, does not provide any substantial benefit to smaller customers.

## Witness Karen Althoff

**Q DOES MS. ALTHOFF AGREE WITH MR. LAZARE'S PREDILECTION FOR THE A&P METHOD?**

A No. She specifically notes that if IP were to design its system based on the concept that all customers peak at the same time, the existing system would be much larger and more costly. She then reasons that ***Mr. Lazare's A&P method does not equitably recognize this design concept***. Finally, she concludes ***that use of the A&E method clearly results in a more equitable allocation*** of T&D system costs.

**Q DOES MS. ALTHOFF THEN REJECT THE A&P METHOD?**

A Oddly enough, she does not. After noting the flaws of the A&P method, and the superiority of the A&E method, she then states that "considering the Commission's decision in recent gas rates (sic) cases, the Company adopts the A&P method." (Actually, she does not even adopt the A&P method either because she insists that certain exception be made for grain drying and asphalt customers.)

**Q DO YOU AGREE WITH MS. ALTHOFF'S RATIONALE?**

A No. It is true that the Commission has accepted the A&P method for some other utilities. But, it is equally true that it also accepted the Coincident Peak method in the past, and has accepted the A&E method *for this particular utility*. I have been testifying in gas cases before the ICC for over twenty years. My understanding of Commission policy is that it wants to adopt the allocation method that most nearly reflects the drivers of cost causation. Since the evidence on the record shows that the A&E method more closely matches cost allocation than does the A&P method, the most logical choice is the A&E method. In the alternative, it could adopt some combination (i.e. weighted average) of an A&E allocator with a coincident peak allocator if the Commission is persuaded that diversity is not relevant for the whole system. For example, **Schedule 4** of this Exhibit compares the A&E method with an allocator that gives equal weight to both the A&E and CP methods. For ease of comparison, I have also shown the A&P method which is seen as an outlier. (Giving partial weight to a coincident peak method would also help the grain drying and asphalt customers.)

**Q DOES MS. ALTHOFF IDENTIFY ALL THE DIFFERENCES BETWEEN THE A&E AND A&P METHODS?**

A No. When responding to the question that she posed to herself, to explain the difference between the A&E and A&P methods, the only difference mentioned in her rebuttal testimony was that the A&E method uses non-coincident peaks while the A&P method uses coincident peaks. That is clearly not the only difference (or even the primary difference) between the two methods. If that *were* true, then in a system where each class peaked at the same time (and thus there would be no difference between a class's coincident peak and its non-coincident peak), the A&E and A&P methods should yield identical results. But, in fact, the two methods do not. In a system where each class peaked at the same time, the A&E method would *always* produce exactly the same allocation as the coincident peak method. The A&P method would *never* produce the same result as the coincident peak method. It would always penalize classes with load factors higher than the system average. Consequently, it is even more puzzling why Ms. Althoff would accede to such an allocation method when IP acknowledges that one of its problems is that it is losing industrial load. It is precisely those types of customers that are most disadvantaged by the A&P method.[1]

**Q DOES MS. ALTHOFF HAVE CONCERNS WITH YOUR USE OF THE MOST SEVERE WEATHER FOR CALCULATING CLASS DEMANDS?**

A Yes. She agrees with me that local gas distribution systems in areas of cold weather are designed for the most severe weather, yet she rejects the idea of using that data

[1] In fact, it is my understanding that since 1999 there has been a loss of approximately 4,241 manufacturing jobs in the counties served by IP.

in the allocation factor. (I do not believe that she rejects the idea that Illinois Power is in an area of cold weather.)

**Q WHAT IS THE BASIS OF HER REJECTION?**

A As I understand her testimony, there are only two reasons given. First, she notes that it is possible that the distribution system in a given area is also designed for peaks that occur at times other than severe weather. Second, she rejects my proposal to use design day weather peaks because, according to Ms. Althoff, SC 76 and SC 90 customers (which include some IIEC members) are allocated a smaller share of the total cost of mains.

**Q DO YOU AGREE WITH MS. ALTHOFF'S LOGIC?**

A No. As to the first ostensible objection, I never proposed excluding peaks that occur at times other than severe weather. In fact, I urged using the maximum of either peak. Consequently, Ms. Althoff's first point is totally irrelevant. As to her second point, my proposal also benefits SC 64 customers, SC 67 customers and SC 68 customers, but that is beside the point. One should not judge a modification to a cost allocation method by whom it does or does not benefit. One should judge it based on its merits and whether the proposed modification is more or less reflective of the factors influencing costs.

**Q DOES MS. ALTHOFF OBJECT TO YOUR ANALYSIS COMPARING THE IMPLIED ALLOCATION OF MAIN COSTS TO THE 10 LARGEST CUSTOMERS UNDER THE A&E METHOD WITH A MORE DIRECT ASSIGNMENT?**

A Yes. However, I think she misunderstands the nature of my analysis. I was not seeking to replace the Company cost of service study with a direct assignment for a

few customers. I was merely trying to illustrate that the A&E method necessarily overallocates costs to large customers relative to what it would cost to build a system to serve them directly (IIEC Exhibit 2 at pages 4-6). The purpose was not to replace the A&E method, but only to illustrate why a method (such as Mr. Lazare's) that allocates even more cost to the large classes (than the Company study) would be a step away from accurately reflecting cost causation, and thus should be rejected.

**Q DID YOU EXPLAIN WHY THE A&E METHOD OVERALLOCATES COSTS TO LARGE CUSTOMERS?**

A Yes, I explained in my direct testimony (IIEC Exhibit 2 at pages 6-7) that there are certain economies of scale from using large diameter mains that are simply not captured in the A&E method. This was not meant to find fault with any method, but rather just a result of the economics of building and installing mains, and the physics of delivering gas.

**Q DOES MS. ALTHOFF DISPUTE THESE ECONOMIES OF SCALE?**

A No. These economies of scale are widely recognized and are indisputable. However, rather than address the nub of my argument, Ms. Althoff tries to pick away at meaningless details. For example, she notes:

- The data I used to derive my cost per foot (which by the way was the same data Mr. Lazare used in developing his Schedule 6.03) did not reflect certain unspecified amounts or pro forma adjustments.
- The use of vintage costs instead of current costs (although the Company refused to supply current costs and the Company cost of service study only allocates historical costs).
- Steel prices have risen from 2002 and 2003.
- My analysis did not include allocating any "common mains." (Although she makes no representation of how much of the system is common and used by all customers.)

In any case, these would only be arguably relevant if I were trying to replace the Company cost of service study with a direct assignment for certain large customers. These observations in no way negate the central point I was trying to make.

**Q BY THE WAY, HAS THIS COMMISSION EVER ACCEPTED THE NOTION OF DIRECTLY CALCULATING THE COST OF MAINS REQUIRED TO SERVE LARGE CUSTOMERS?**

A Yes. In its 1995 embedded cost of service study NICOR employed a method that relied on direct assignment to customer groups. NICOR performed an engineering study to identify main investment for each group on the basis of main sizes and peak day flow. It is my understanding that this study was accepted by the ICC.

**Q DOES MS. ALTHOFF HAVE ANY OTHER CRITICISMS OF YOUR ANALYSIS?**

A Yes. She appears to agree with my observation that the A&E method implicitly allocates $2.1 million of high pressure main to the nine largest customers on SC 76, or an average of $233,333 per customer for each of these nine customers. She then notes that in the cost study presented in her supplemental direct testimony, the Company has allocated an average of $14.1 million of high-pressure mains, which equates to an average of $73,932 per customer for all 196 customers.

**Q WHY IS THIS A CRITICISM OF YOUR ANALYSIS?**

A I have no idea. The point of my analysis, which Ms. Althoff does not seem to appreciate, is that the amount of mains imported to the largest customers by even the A&E method is far greater than what it takes to serve these customers. Ms. Althoff's observations do not refute that point. Obviously, the A&E method will allocate more costs to large customers than small customers. All other things being equal, a larger

customer will require a larger diameter main than a smaller customer, and that will impose more cost on the utility.[2] The pertinent question is, how much more costs does it allocate to the large customers and how does that compare with the additional cost that the larger customers impose on the system. Ms. Althoff's cryptic observation sheds absolutely no light on that matter.

## Witness Brian Blackburn

**Q WHAT IS THE POSITION OF MR. BLACKBURN ON YOUR SUGGESTION TO HAVE AN UNBUNDLED STORAGE SERVICE?**

A He rejects the concept because he says that the storage is fully utilized for the PGA customers. However, in my view, reserving this resource for only one class of customers would be unduly discriminatory. All customers should have access to storage if they pay for that service.

**Q ON PAGES 23 TO 24 OF HIS REBUTTAL TESTIMONY, MR. BLACKBURN ASSERTS THAT YOUR PROPOSAL IS "RESULTS-DRIVEN," BECAUSE A HYPOTHETICAL CUSTOMER COULD PAY LESS AND RECEIVE GREATER SERVICE. PLEASE RESPOND.**

A Mr. Blackburn obviously misunderstands my proposal. In his example, he assumes that a customer with a present MDQ of 10,000 could drop its MDQ to 7,000 if it selected a BMQ of 4,000. That is not my proposal. If a customer has a peak or maximum day usage of 10,000 it would still need to maintain an MDQ of 10,000 regardless of the BMQ it selected. Consequently, Mr. Blackburn's "illustration" is

[2] I am implicitly assuming here that the larger customer will take more gas on a maximum day's use than the smaller customer. It is also important to note the qualifier "all other things being equal." Many large customers are only several feet from an interstate pipeline interconnection and so may actually be served from a shorter, although wider, main, and so the cost could be less. No allocation method, proposed by any party in this proceeding, attempts to reflect such circumstances.

totally irrelevant. It is unfortunate that IP did not seek to inquire how my proposal would actually work before it rejected it.

**Q ON PAGE 25 OF HIS REBUTTAL TESTIMONY, MR. BLACKBURN CLAIMS THAT YOUR CALCULATION OF THE INJECTION PERCENTAGE INCORRECTLY EXCLUDES SC 76 AND SC 90 VOLUMES. PLEASE RESPOND TO THIS CLAIM.**

A Mr. Blackburn is correct in that I use the peak day sales volumes, which excludes SC 76 and SC 90 volumes as the denominator in my calculation. However, it is also true that I use the same denominator in determining the unit costs of the storage capacity. Since the purpose of the calculation is to determine the unit cost of storage capacity for existing customers, and SC 76 customers do not currently utilize storage capacity, my analysis correctly excludes them from the denominator for both purposes – level of service and cost of service.

**Q DO YOU BELIEVE IT REASONABLE TO EXCLUDE SC 76 USAGE AT THIS TIME?**

A Yes. Because this is a new service, it is not clear what levels of storage service the SC 76 customers will nominate.

**Q IS THAT THE ONLY REASONABLE APPROACH?**

A No. One could make the assumption that, for example, 50% of the SC 76 customers would utilize storage service, in which case we would add in 50% of the coincident peak demand associated with rate SC 76. This inclusion would reduce the injection percentage and unit cost of storage capacity. Assuming that this is a representative level of SC 76 storage elections, the injection percentage would be 20.4% of the customer's BMQ. The cost would decrease as well to $0.045 per therm of BMQ.

**Q SHOULD ONE INCLUDE ANY SC 90 USAGE IN THE STORAGE CALCULATIONS, AS SUGGESTED BY MR. BLACKBURN?**

A No. I have not proposed storage service for SC 90 customers. Consequently, those volumes are rightly excluded from either calculation.

**Q MR. BLACKBURN MAKES A SIMILAR OBJECTION TO YOUR CALCULATION OF THE WITHDRAWAL ENTITLEMENT ON PAGE 26 OF HIS TESTIMONY. HOW DO YOU RESPOND TO HIS CLAIM THAT YOU INCORRECTLY EXCLUDE SC 76 AND SC 90 CUSTOMERS FROM YOUR CALCULATION?**

A Again, Mr. Blackburn ignores the fact that my calculation is consistent in that it excludes the classes that do not utilize storage for both the withdrawal entitlement and the storage cost. Additionally, as I mentioned above, I am not proposing storage service for SC 90 customers. If one did include 50% of SC 76 usage as a storage nomination, the withdrawal percentage would be 49%, rather than the 52% derived in my direct testimony. This figure should be expanded to account for diversity.

**Q DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

A Yes.

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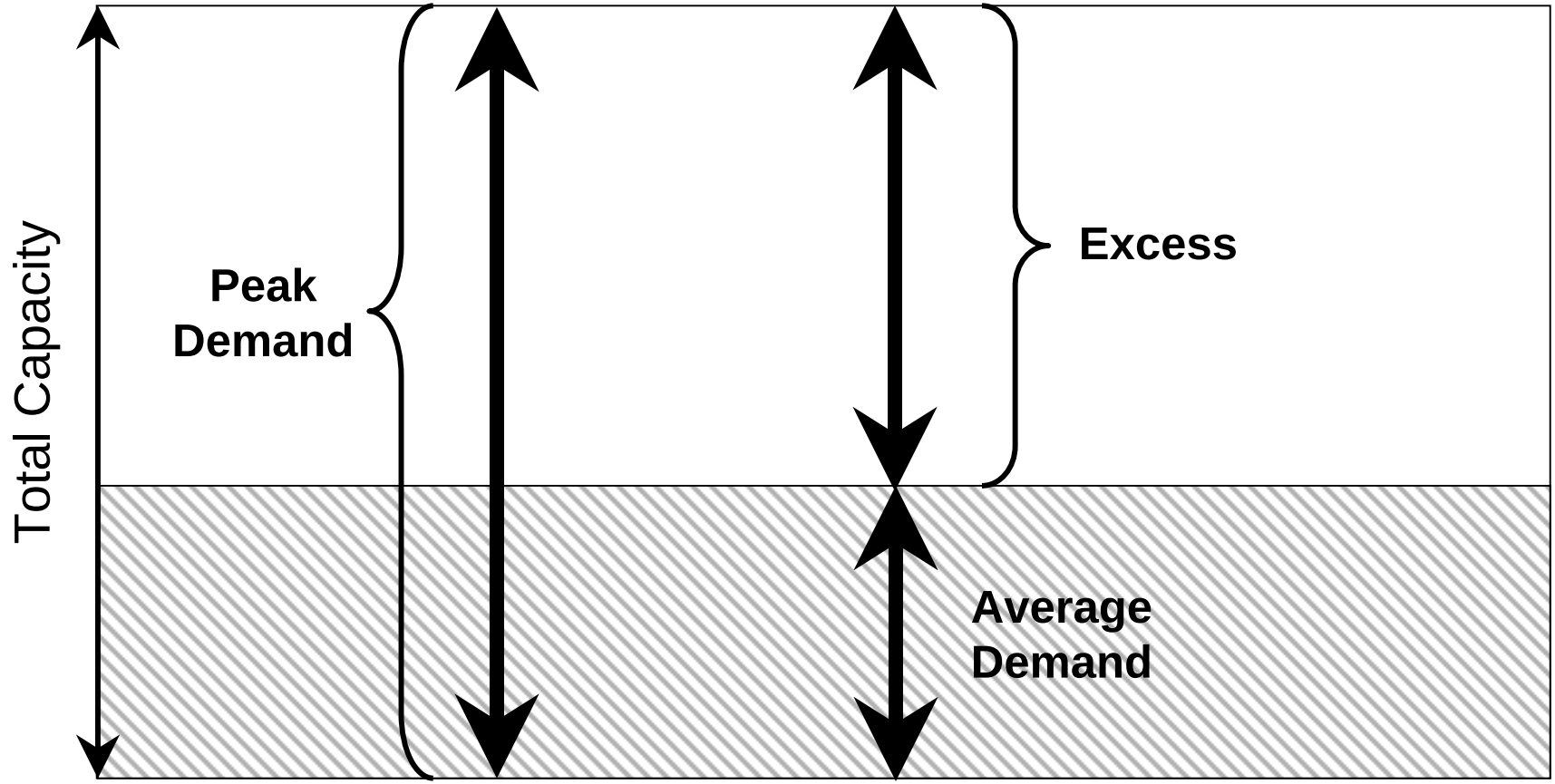
# ILLINOIS POWER COMPANY

## Comparison of the A&E and A&P Allocation of T&D Costs



**IIEC Exhibit 2.1**
**Schedule 2**

# ILLINOIS POWER COMPANY

## Calculation of Imputed Demands for A&P and A&E Allocation Methods

| | | | | Average and Peak Allocation | | | | Average and Excess Allocation | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | A | B | C | D | E | F | G | H | I | J | K | L |
| Customer | Average Demand | Coincident Demand | Non-Coincident Demand | Average | Peak | A & P Factor | Imputed Demand | Class Excess | Allocation of Excess | A&E | A&E Factor | Imputed Demand |
| Low Load Factor, On Peak | 200 | 1,000 | 1,000 | 20% | 50% | 35.0% | 700 | 800 | 500 | 700 | 35.0% | 700 |
| High Load Factor, On Peak | 300 | 500 | 500 | 30% | 25% | 27.5% | 550 | 200 | 125 | 425 | 21.3% | 425 |
| Low Load Factor, Off Peak | 100 | 100 | 500 | 10% | 5% | 7.5% | 150 | 400 | 250 | 350 | 17.5% | 350 |
| High Load Factor, Off Peak | 300 | 300 | 500 | 30% | 15% | 22.5% | 450 | 200 | 125 | 425 | 21.3% | 425 |
| 100% Load Factor | 100 | 100 | 100 | 10% | 5% | 7.5% | 150 | - | 0 | 100 | 5.0% | 100 |
| Total System | 1,000 | 2,000 | 2,600 | 100% | 100% | 100.0% | 2,000 | 1,600 | 1000 | 2,000 | 100.0% | 2,000 |
| System Load Factor | 50% | | | | | | | | | | | |
| System Excess | 1,000 | | | | | | | | | | | |

**IIEC Exhibit 2.1**
**Schedule 3**

# ILLINOIS POWER COMPANY

## Comparison of Increase Using A&P and A&E Methodology

| Class | Current Base Revenue | A&P Method | | A&E Method | |
|---|---|---|---|---|---|
| | | Final Increase | Percent | Final Increase | Percent |
| SC 51, Residential | $ 86,074 | $ 26,378 | 30.6% | $ 26,904 | 31.3% |
| SC 63, Small Volume | $ 19,260 | $ 7,532 | 39.1% | $ 7,667 | 39.8% |
| SC 64, Intermediate Volume | $ 4,007 | $ 2,375 | 59.3% | $ 2,597 | 64.8% |
| SC 66, Seasonal | $ 605 | $ 641 | 106.0% | $ 641 | 106.0% |
| SC 65, Large Volume | $ 2,441 | $ 1,368 | 56.1% | $ 1,149 | 47.1% |
| SC 76, Transportation | $ 5,552 | $ 1,454 | 26.2% | $ 791 | 14.3% |
| SC 90, Contract | $ 1,224 | $ - | 0.0% | $ - | 0.0% |
| Total | $ 119,163 | $ 39,749 | 33.4% | $ 39,749 | 33.4% |

# ILLINOIS POWER COMPANY

## Comparison of Allocation Factors

| Line | Rate | Average & Excess | CP Factor | Weighted Average of A&E and CP Factor | Average & Peak |
|---|---|---|---|---|---|
| 1 | 51 | 53.186% | 57.552% | 55.369% | 52.937% |
| 2 | 63 | 15.642% | 17.398% | 16.520% | 15.922% |
| 3 | 64 | 5.232% | 4.734% | 4.983% | 4.746% |
| 4 | 65 | 3.668% | 3.694% | 3.681% | 4.377% |
| 5 | 67 | 2.051% | 0.137% | 1.094% | 0.314% |
| 6 | 68 | 0.315% | 0.019% | 0.167% | 0.075% |
| 7 | 76 | 13.522% | 12.841% | 13.181% | 15.897% |
| 8 | 90 | 6.385% | 3.625% | 5.005% | 5.731% |
| 9 | | 100.000% | 100.000% | 100.000% | 100.000% |